



FEDERATION OF PROTESTANT WELFARE AGENCIES

**TESTIMONY
of
The Federation of Protestant Welfare Agencies
Before the
New York State Department of Labor Wage Board
Hearing on Increasing the Minimum Wage in the Fast-Food Industry
June 22, 2015**

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My name is Emily Miles and I am the Senior Policy Analyst for Income Security at the Federation of Protestant Welfare Agencies (FPWA). I would like to thank the members of the Fast Food Wage Board for the opportunity to testify before you today and for your leadership on issues that deeply affect New Yorkers.

FPWA is an anti-poverty, policy and advocacy nonprofit with a membership network of nearly 200 human service and faith-based organizations. FPWA has been a prominent force in New York City's social services system for more than 92 years, advocating for fair public policies, collaborating with partner agencies, and growing its community-based membership network to meet the needs of New Yorkers. Each year, through its network of member agencies, FPWA reaches close to 1.5 million New Yorkers of all ages, ethnicities, and denominations. FPWA strives to build a city of equal opportunity that reduces poverty, promotes upward mobility, and creates shared prosperity for all New Yorkers.

Measuring Poverty

In March of this year, the Federation of Protestant Welfare Agencies, in collaboration with Catholic Charities of the Archdiocese of New York and UJA Federation of New York, released a report conducted by The Urban Institute that analyzed seven policies and simulated their impact – both alone and in combination – in reducing poverty in New York City.

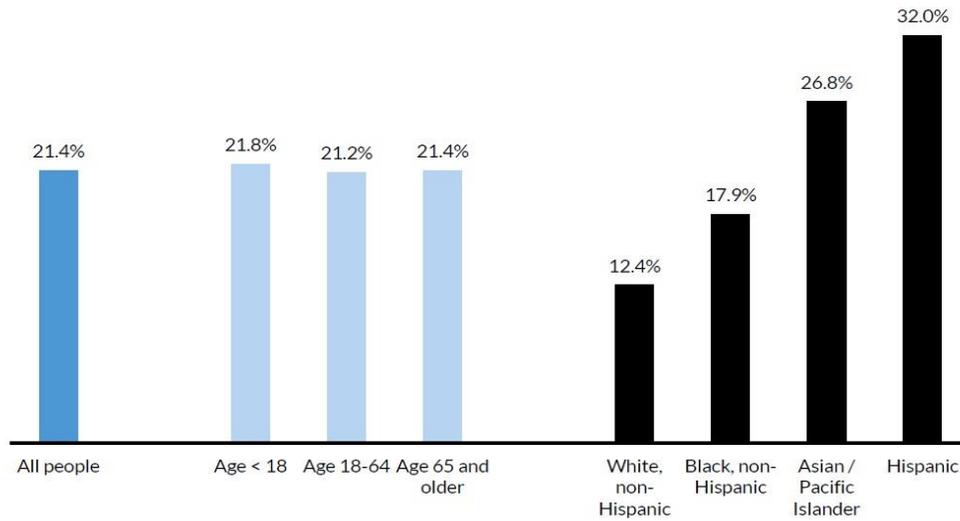
As a first step in this analysis, the Urban Institute developed a modified version of the Supplemental Poverty Measurement (SPM) from which they could assess rates of poverty across New York City and among a variety of subpopulations. This baseline assessment determined that 21.4 percent of New York City residents – 1.744 million people – live in poverty¹.

Though the poverty rate was similar for all age groups, differences emerged when broken down by race and ethnicity, with non-Hispanic white residents having the lowest rate of poverty at 12.4 percent and Hispanic residents having the highest at 32 percent. Additionally, the analysis showed that a majority of households in poverty could be categorized as “working poor”, with a full 64 percent headed by at least one adult who is employed either full or part-time.

¹ Defined as a nonelderly adult, not living with relatives, earning below \$14,548. Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, p.6. Prepared for the Federation of Protestant Welfare Agencies, Catholic Charities, and UJA Federation.

Baseline Poverty Rate for NYC, 2012

Modified-SPM definition of poverty, excludes people in group quarters



Note: SPM = Supplemental Poverty Measure.

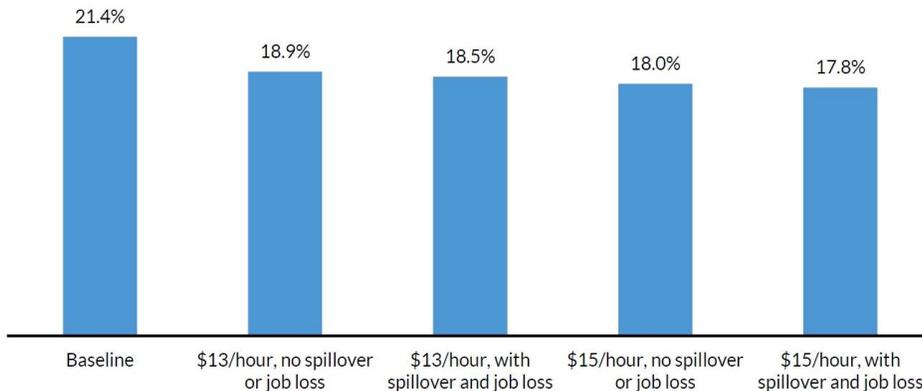
Source: Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, Figure 2.

Impact of \$15 Wage Increase

Of the seven policies analyzed in this study, one of the most impactful was an increase in the minimum wage, with increases tested at both the \$13 and \$15 wage levels. Taking into consideration spillover and employment effects, the increase to \$13 per hour reduced poverty by just over 13 percent, while the increase to \$15 per hour reduced poverty by 17 percent, impacting almost 300,000 people.

Effect of Higher Minimum Wages on the New York City Poverty Rate

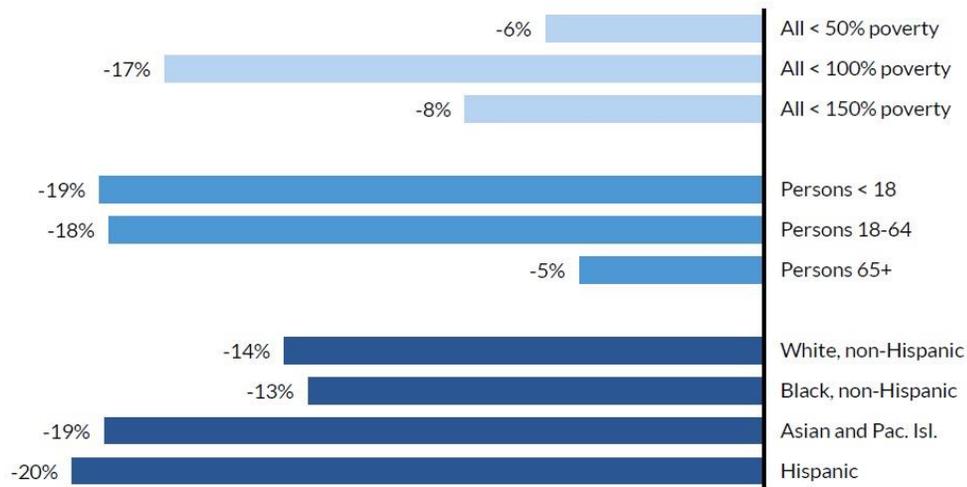
Modified-SPM definition of poverty



Source: Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, Figure 11.

These impacts were seen primarily for those under age 65, with poverty declining by 18 percent for non-elderly adults and 19 percent for children. Additionally, though poverty reductions were seen for all race and ethnicity groups, effects were largest for Asian and Pacific Islanders, with a 19 percent reduction in poverty, and Hispanics, with a 20 percent reduction in poverty.

Percentage Change in Poverty with Increase in Minimum Wage to \$15 per Hour, Modeled with Spillover and Job Loss
Modified-SPM definition of poverty



Notes: SPM = Supplemental Poverty Measure. Age and race figures are for people under 100% of the poverty threshold.

Source: Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, Figure 12.

This wage increase also demonstrates a substantial positive fiscal benefit to the government. By increasing the minimum wage to \$15 per hour, the government saves approximately \$3.3 billion as a result of decreased spending in benefit programs and increased tax revenue.

Need for Expansion

Raising the minimum wage to \$15 per hour will have a profound impact on reducing poverty for the thousands of low-wage workers employed by the fast food industry. However, as wages for this portion of the low-wage workforce increases, attention must be drawn to other low-wage sectors where workers are also struggling to make ends meet.

The non-profit social service sector in New York State provides a variety of vital supports necessary for the continued success of our city. In New York City alone, over \$5 billion is contracted annually for social services, employing over 116,000 workers. Unfortunately, a majority of front line workers providing essential social services are underpaid and without real opportunities for career

advancement. In fact, the largest sector employing low-wage workers in New York City is the non-profit sector, with one in every four low-wage workers employed by this sector². An estimated 51 percent of these employees, a majority of whom are women of color, earn less than \$14 per hour, and 39 percent of non-profit workers earn less than \$12 per hour³. Over a third of such workers have poverty or near-poverty living standards, placing them all-too-close to the situation of the client populations they serve, with two-thirds of social service workers earning below \$15 per hour reporting experiencing three or more serious material hardships, including insufficient food, inability to pay rent, inability to afford going to the doctor, and an inability to afford subway fare⁴.

On a state level, the wage levels are equally as low, with an estimated 48 percent of social service employees, a majority of which are women, earning less than \$14 per hour, and 38 percent earning less than \$12 per hour⁵.

Inadequate funding of government social services contracts is a major factor responsible for low non-profit social service sector wages. New York City has recently taken a step toward improving the economic situation of this workforce by instituting a city funded wage floor of \$11.50 per hour for all social service contracted employees. This is the first step toward a wage floor of \$15 per hour for social service employees funded through city contracts.

FPWA encourages New York State to follow New York City's lead and implement a state funded wage floor for all contracted social service employees. In providing sufficient funding to allow social service organizations to appropriately compensate their employees, the State will reduce poverty for a large number of non-profit employees across New York State.

Conclusion

We thank the Wage Board for the opportunity to testify and to share the findings of our analysis with you. We encourage you to utilize these findings to support a wage increase for fast food workers and hope that you will consider expanding the wage increase to include social service workers.

² James A. Parrott, *NYS Should Act to Raise the Statewide Minimum Wage and Allow Localities to Set a Higher Minimum Wage*, Fiscal Policy Institute, June 2, 2014

³ Fiscal Policy Institute analysis of 2010-2014 Current Population Survey Outgoing Rotation Group data provided by Economic Policy Institute.

⁴ Community Service Society, *Unheard Third*, 2015

⁵ Fiscal Policy Institute analysis of 2010-2014 Current Population Survey Outgoing Rotation Group data provided by Economic Policy Institute.